Public Service Pension Plan

1995 Annual Report

PSPP

Mission Statement

The Board will act solely in the interest of Plan stakeholders to ensure that:

- contributions are invested prudently
- the Plan is managed effectively and efficiently and is operated in compliance with legislation and regulations

In fulfilling its mission, the Board will consider the:

- overall financial health of the Plan
- future development of Plan provisions
- costs of the Plan
- stakeholders' concerns and information needs

TABLE OF CONTENTS

PROFILE

- The Public Service Pension Plan (PSPP) was established in 1947 as a contributory defined benefit plan for employees of the Alberta Government, its agencies, boards, commissions and other public bodies approved by the Lieutenant Governor in Council upon the recommendation of the Board.
- The Plan is governed by a six-member Board, including three employee representatives nominated by the Alberta Union of Provincial Employees and three employer representatives nominated by the Government of Alberta.
- The Plan serves approximately 55 employers, 45,000 members and 14,000 pensioners.
- The Plan is financed by employer and member contributions and investment earnings. The Government of Alberta shares the funding for service accumulated before 1992.
- The Plan is administered by Alberta Pensions Administration Corporation (APA). A former division of Alberta Treasury, APA became a provincial corporation on November 1, 1995.
- PSPP Fund investments are managed under contract by the Investment Management Division (IMD) of Alberta Treasury. The Fund has a diversified investment portfolio of bonds, domestic and foreign equities, money market securities, mortgages and real estate.

As at December 31, 1995

Five-Year Review of Plan Data

Plan Data	1995	1994	1993	1992	1991
Number of Employers	55	46	46	48	48
Number of Active Members	36,594	39,779	43,490	46,856	47,968
Number of pensions granted by type of pension					
Normal retirement	138	131	200	203	152
Early retirement	698	857	603	440	280
Disability retirement	14	14	4	8	8
Death-in-service (spousal) retirement	36	35	37	33	33
Total membership comprising active members, inactive members and pensioners	58,651	60,537	62,743	64,874	65,454

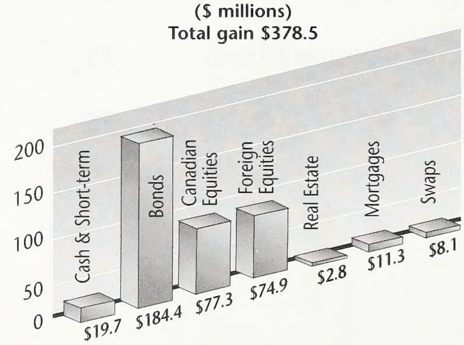
The following table summarizes the actuarial value of assets, the estimated cost of benefits and the resulting actuarial deficiency at December 31, 1995.

	($millions)
Cash & Short-term Securities	319.4
Bonds	976.1
Mortgages	64.0
Canadian Equities	683.0
Foreign Equities	467.6
Real Estate	55.0
Other Net Assets	14.3
Total Net Assets	2,579.4
Actuarial Asset Value Adjustment	79.0
Actuarial Value of Assets	2,500.4
Estimated Cost of Benefits	2,731.5
Deficiency	**231.1**

1995 Investment Results

($ millions)

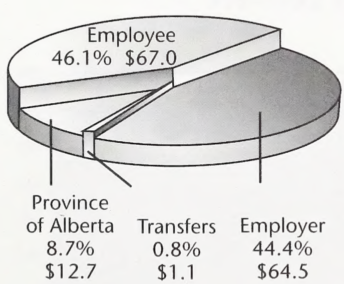
Total gain $378.5



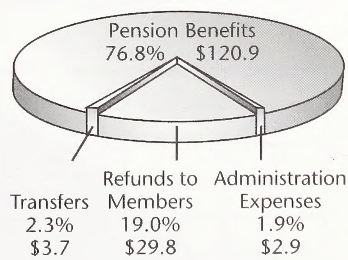
Review of Financial Data

Financial Data ($ millions)	Year Ended December 31 1995	Year Ended December 31 1994
Net Assets	2,579.4	2,212.4
Investment (loss) income	378.5	(13.3)
Contributions - post-1991 service		
Employer	60.8	66.5
Employee	63.1	70.3
Transfer from other plans	1.1	1.3
Contributions - pre-1992 service		
Employer	3.8	3.5
Employee	3.8	3.5
Government of Alberta	12.7	11.8
Benefit payments and transfers		
Pensions	120.9	115.4
Refunds	29.8	32.6
Transfer to other plans	3.7	7.8
Administration expenses		
Plan administration	2.5	2.7
Investment management	0.4	0.3

1995 Contributions
($ millions)
Total $145.3



1995 Payments
($ millions)
Total $157.3



A Profile

The Public Service Pension Board has six members, including three employee nominees and three employer nominees. Provincial legislation requires that the offices of Board Chair and Vice-Chair rotate every two years between employer and employee nominees.

Board Responsibilities

The Board is responsible for:

- setting policy guidelines for investment of the Fund
- setting policy guidelines for administration of the Plan
- setting contribution rates to fully fund current service
- making recommendations for amending of Plan rules
- reviewing administrative decisions
- arranging an actuarial valuation at least once every three years

Members of the Board — 1995

Employee Nominees

Debbie Horbach, Chair
Gladys L. Breckenridge
Len Pederson

Employer Nominees

Tim Wiles, Vice-Chair
Al Kalke
Don Windsor

During 1995, the Board of the Public Service Pension Plan continued with its commitment to monitor the financial performance of the Plan's funds and enhance communication and services to members.

Investment Policy

The Board set its own *Statement of Investment Objectives and Policies* in June 1995 after operating with an interim investment policy established by the Provincial Treasurer.

The investment policy identifies the broad objective of the Fund — to earn the best possible return at an acceptable level of risk.

Guidelines such as the types of investments that can be made on behalf of the Plan, as well as the minimum and maximum amounts of each class in the overall investment portfolio, are included in the policy *(please see page 7 for details)*.

Achieving competitive returns is important to ensure contribution rates for current service remain stable, the unfunded liability is eliminated in a timely manner and funds are available to pay retirement benefits. The policy requires the Fund to be invested in a number of different asset classes to reduce risk through diversification.

Fund Management

The Public Service Pension Plan Fund is managed by the Investment Management Division (IMD) of Alberta Treasury. IMD draws on the advice of some of the most respected firms in the investment industry. It is also one of Canada's largest investment fund managers, supervising approximately $25 billion, of which approximately $2.6 billion belongs to the PSPP Fund.

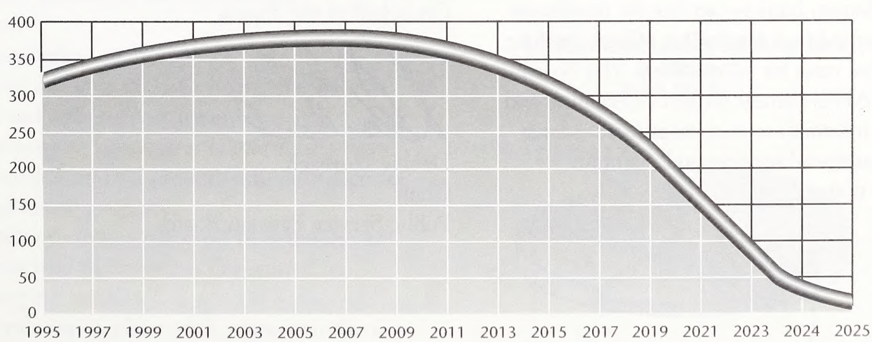
IMD follows the policies and guidelines established by the Board. In addition to all applicable legislation, IMD is required to adhere to the Board's *Conflict of Interest Policy* and reports quarterly to the Board on the performance of the Fund.

Fund Performance

Strong markets in 1995 resulted in a one-year return of 17.2% for the total Fund, slightly ahead of the policy benchmark of 17.1%. This resulted in an increase to the Fund's net assets of $367.0 million.

A more detailed discussion of the performance of the Fund is reviewed in the Investment Highlights section of this report.

Pre-1992 Projected Unfunded Liability
($ millions)



Plan Valuation

Actuarial experience on key assumptions indicated it would be prudent to do a Plan valuation earlier than required. Therefore, an actuarial valuation was conducted as at December 31, 1995. The Board hired William M. Mercer Limited to act as actuarial consultants to the Plan. The Actuarial Cost Certificate is part of this 1995 Annual Report.

Plan Administration

The Public Service Pension Plan is administered by Alberta Pensions Administration Corporation (APA).

Formerly a division of Alberta Treasury, APA became a provincial corporation on November 1, 1995. APA is now guided by a Board of Directors which includes representatives from the private sector, the pension boards and government.

APA is one of the largest public sector pension plan administrators in Canada and has played a major role in pension administration in Alberta for more than 40 years.

As part of its responsibilities to ensure the Plan is administered effectively, the Board reviewed administration cost budgets prepared by APA. The review covered general administration and performance measures.

Communications and Member Services

Effective communications and enhanced member services continue to be a priority with the Board.

Direct deposit banking service for pensioners was implemented in a continuing effort to reduce administrative costs for all members. The Board is monitoring APA's current project to examine and enhance its information systems and procedures to provide improved services and maintain competitive costs.

The Board will continue to produce regular newsletters to provide pension information to members and encourage members to express their views. A Reader Survey is provided with the 1995 Annual Report and we encourage all readers to complete and return it.

A glossary of commonly used investment terms is provided to assist in reviewing the financial sections of this report. A 1996 Directory is also included at the back of this report.

New Board Executive

Under the provincial regulations that govern public sector pension plans, the Board is required to elect a new Chair and Vice-Chair every two years and rotate the positions between employer and employee nominees.

Tim Wiles was appointed Chair and Len Pederson as Vice-Chair with terms commencing January 1, 1996. Al Kalke also joined the Board in 1995 as an employer nominee.

The Board will continue to monitor investment policy guidelines and decisions with the intention of improving investment performance. The Board will continue its commitment to provide effective communications with members. One objective for 1996 will be to develop a surplus policy.

The Board thanks the Provincial Treasurer, the staff of Alberta Pensions Administration Corporation and the Investment Management Division of Alberta Treasury for their assistance in managing the Public Service Pension Plan in 1995.

On behalf of the Board,

Debbie Horbach
Chair
Public Service Pension Board

The Public Service Pension Plan Fund is managed by the Investment Management Division (IMD) of Alberta Treasury. IMD has managed the pension assets of public sector plans since their inception.

IMD has the capability to invest directly in major domestic markets and, through specialist external managers, non-Canadian markets.

IMD uses external managers to provide input into the Fund's overall investment strategy. It manages approximately $25 billion in assets and, as a result, is able to invest at competitive costs relative to other pension funds.

The Plan's investment Fund is managed to earn the best possible return at an acceptable level of risk (as recommended by the Board). Achieving competitive returns has an important role in ensuring contribution rates for current service remain stable, the unfunded liability is eliminated in a timely manner and funds are available to pay retirement benefits.

Investment Policy

The Fund's investment policy, the *Statement of Investment Objectives and Policies*, is reviewed annually by the Board to ensure it remains appropriate for the long-term investment objectives of the Fund.

The investment policy provides the framework for asset mix policy, as well as the policies and guidelines for each class of investment.

For example:

- quality constraints have been established for fixed income instruments
- borrowing or leveraging is prohibited with the exception of a pre-existing mortgage on a real estate property
- restrictions are in place on how much can be invested in countries designated as "emerging markets"
- controls are in place with respect to the use of derivatives

The investment process follows a disciplined approach where the outlook for the economy and capital markets is established. The Fund is invested in a number of different asset classes to reduce risk through diversification.

For a brief description of each asset class and its 1995 performance, refer to the following section on investment performance.

Investment Policy Ranges

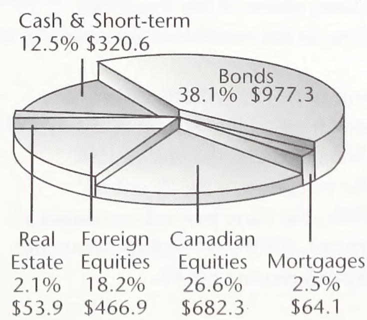
	Min	Max
Debt	%	%
Money Market Securities	0	20
Debt Securities	30	50
Public	30	50
Private	0	5
Commercial Mortgages	0	10
Real Return Bonds	0	5
Total Debt	**40**	**50**
Equity		
Canadian	25	50
Foreign	15	24
Real Estate	0	6
Total Equity	**50**	**60**

The investment policy approved by the Board imposes ranges on the different asset classes to establish the risk profile the Board is willing to accept.

IMD adjusts the relative asset mix to take advantage of expected market conditions. Investment strategies are implemented and monitored on a regular basis.

The pie chart below shows that actual investment allocation stayed within the guidelines set by Board policy.

1995 Asset Mix at Market
($ millions)
Total $2,565.1



Investment Performance

Reporting and Measuring Performance

As set out in the Board's *Statement of Investment Objectives and Policies*, the Board receives investment performance results quarterly or any time the investment manager makes a significant change to the portfolio's mix.

The Fund is expected to earn at least a 5.7% annualized real rate of return over rolling four-year periods. The benchmark portfolio, based on the Board investment policy, should earn 5.2%. IMD is expected to add 0.5% from active investment management.

The various classes of investments in the Fund are measured against established market benchmarks. These comparisons are made over periods of one and four years to evaluate the Fund's performance over the short- and long-term. Financial consultant SEI Canada Limited also provides advice and independent reports to IMD on Fund performance.

1995 Fund Performance

Market conditions were favorable in 1995 as capital markets rebounded from their poor performance in 1994.

The bond market, measured by the ScotiaMcLeod Bond Universe Index, recorded a total return of 20.7% for the year. The equity markets also enjoyed a strong year. The TSE 300 Index returned a total of 14.5%. Outside Canada, the U.S. had the strongest equity market with the total return of 33.9% on the S&P 500 Index.

These strong markets resulted in a one-year return of 17.2% for the total Fund, slightly exceeding the policy benchmark return of 17.1%. The various asset classes of the Fund also performed close to the established benchmarks in 1995.

As a result of this, the Plan's investment Fund increased from $2.183 billion at the end of 1994 to $2.565 billion by the end of 1995.

Since the inception of the Board in December 1993, the Fund has had a compound annualized return of 8.5% — slightly above the policy benchmark return of 8.3%.

Individual Asset Class Performance

Long-term Fixed Income Component

Overall, the long-term fixed income component has tracked slightly lower than the ScotiaMcLeod Bond Universe Index.

This component is largely invested in publicly traded fixed income securities including federal government, provincial and corporate bonds.

Asset Class Performance Relative to Benchmarks

Asset Class and Benchmark	1995	4-year
	%	%
Long-term Fixed Income		
Bonds	20.6	10.9
Mortgages	17.6	8.6
Private Debt	18.6	8.2
Real Return Bonds	16.4	–
Total Long-term Fixed Income	**20.4**	**10.7**
ScotiaMcLeod Bond Universe Index	20.7	10.6
Canadian Equity		
Publicly Traded	14.3	9.6
TSE 300 Index	14.5	10.6
Foreign Equity		
U.S. Equity	31.9	15.3
Non-North American Equity	8.4	14.0
Total Foreign Equity	**17.0**	**14.8**
Morgan Stanley World Index	17.4	14.8
Short-term	**7.5**	**6.8**
ScotiaMcLeod 91-Day T-Bill Index	7.6	6.4
Real Estate	7.8	-2.7
Frank Russell Commercial Property Index	5.1	-1.4
Total Fund Return	**17.2**	**10.4**
Policy Benchmark Portfolio	17.1	10.9
Consumer Price Index (CPI)	1.7	1.4

Fixed income securities are purchased primarily for their income, but are also actively managed to take advantage of changes in interest rates and adjustments in the spreads between issues of different quality.

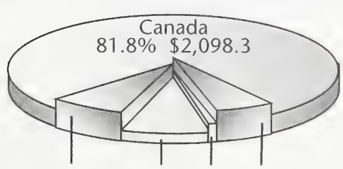
Due to its size and the dominance of federal issues, the portfolio has a large component of federal securities. The publicly traded bond portion has added value relative to the ScotiaMcLeod Bond Universe Index over one- and four-year periods.

The fixed income component also includes mortgages and privately issued bonds. These securities have been included in the portfolio with the intention of realizing additional yield relative to publicly issued securities but have been held close to the lower end of the policy ranges reflecting the limited supply. Mortgages and privately issued bonds typically have a shorter term than securities available through the public market.

In periods of declining interest rates, these bonds do not generate as much capital appreciation as publicly traded bonds and have thus lagged behind the ScotiaMcLeod Bond Universe Index benchmark.

Real return bonds have also lagged the benchmark. These offer a return that is linked to inflation. Given that pensions are partially indexed to inflation, it makes sense to hold these securities over the long-term.

Global Distribution of Assets
($ millions)
Total $2,565.1

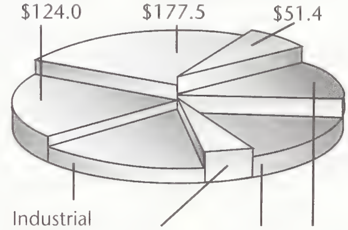


However, in periods of low inflation, the return on this investment has been less than the return achieved by non-indexed bonds that have higher real yields.

Canadian Equity Component

The Canadian public equity component has added value relative to the TSE 300 Index. This component is invested in publicly traded securities listed on major stock exchanges, with an emphasis in the portfolio on quality and diversification. The Fund's privately traded equity was disposed of during the year.

Industry Breakdown of Canadian Equity
($ millions)
Total $683.0



While the Fund has tended to underperform during strong markets, it has tended to perform better relative to the index in weaker markets.

Given the size of the Fund, a significant portion of this component is invested in large well established companies. After outperforming the index in 1994, this component lagged behind the index in 1995.

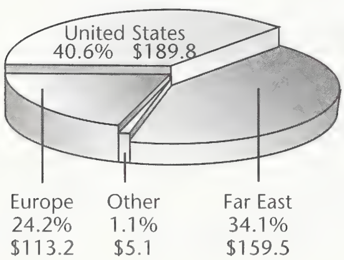
Foreign Equity Component

The foreign equity component returned 17.0% in 1995, slightly lower than the 17.4% Morgan Stanley World Index benchmark. The four-year performance matched the index.

The foreign component is broadly divided between the U.S. and non-North American markets. Extensive use of external managers is made in this component to take advantage of their expertise in these markets.

The foreign equity component is invested in listed securities on non-Canadian exchanges. The performance of external managers is currently under review with special attention being given to improving returns from this segment of the Fund.

Distribution of Non-Canadian Equity
($ millions)
Total $467.6



To take advantage of economic growth opportunities throughout the world and to further enhance Fund diversification, the foreign component of the Fund has been maximized. Normally, this component is limited to 20% of book value under the *Income Tax Act*.

To increase actual foreign equity exposure without exceeding the 20% limit, the return on Canadian fixed income assets are swapped with other international investors to obtain the return on foreign equity markets.

The ownership of the underlying investment remains with the original parties and therefore the foreign content of the portfolio does not change.

Canada accounts for roughly 3% of the total world equity market. In addition, the Canadian equity market is heavily skewed towards natural resource industries. This balance between foreign and domestic investment has a positive effect on the total Fund performance.

Cash and Short-term Component

The four-year and eight-year performance of the cash and short-term component of the Fund has performed at 6.8% and 9.1% respectively, running slightly ahead of the 6.4% and 8.8% policy benchmarks.

This component is in high quality, short-term investments. This helps maintain a reasonable level of liquidity in the Fund.

Real Estate Component

The real estate component is invested in well leased commercial and industrial properties in major urban Canadian markets.

Real estate can contribute to the overall return of the Fund through enhanced diversification and as a hedge against inflation.

Top 10 Canadian Equity Holdings

Company	Market Value ($ millions)	% of Canadian Portfolio
BCE	25.4	4.0
Seagrams	23.1	3.9
Royal Bank	20.1	3.9
Canadian Imperial Bank of Commerce	19.4	3.0
Toronto Dominion	18.4	3.0
Bank of Montreal	17.4	2.9
Canadian Pacific	16.1	2.9
Alcan	15.3	2.9
IMASCO	15.3	2.9
Bank of Nova Scotia	14.8	2.2

Top 10 U.S. Pooled Equity Holdings

Company	Market Value ($ millions)	% of Pool
Healthcare Compare Corp.	43.5	4.4
Federal National Mortgage Assoc.	33.2	3.3
Intel Corporation	26.1	2.6
General Electric Co.	22.1	2.2
Schlumberger Ltd.	19.6	2.0
Anixter International Inc.	19.1	1.9
Walt Disney Co.	17.0	1.7
US Robotics	15.0	1.5
Mirage Resorts Ltd.	13.8	1.4
IBM	13.3	1.3

Top 10 Non-North American Pooled Equity Holdings

Company	Market Value ($ millions)	% of Pool
Tokyo Electron	18.6	1.1
Kyocera Corporation	16.1	0.9
Sony Corporation	19.9	0.9
Rohm Company	13.7	0.8
Hitachi	13.3	0.8
ING Groep NV	12.4	0.7
SECOM Company	12.3	0.7
Development Bank Singapore	11.9	0.7
Murata MFG Company	11.9	0.7
Roche Hldgs AG	11.8	0.7

However, real estate has detracted from the overall return of the Fund, reflecting weak market conditions over the last five years.

Recent performance suggests that market conditions may be improving as property valuations did not decline in 1995 for the first time in five years. The performance of the real estate component has remained in line with benchmarks over the eight-year period.

Challenges for 1996

In 1996, IMD will continue to develop and assess new strategies and products for enhancing Fund performance, including building on strategies developed in 1995 to better manage the Fund's foreign equity exposure.

A review of the performance of the external managers will be completed in 1996 and will provide an opportunity to look for alternative approaches to meeting the investment objectives of the Board.

S.J. Susinski
Chief Investment Officer
Investment Management Division
Alberta Treasury

The Public Service Pension Plan is administered by Alberta Pensions Administration Corporation (APA). APA is one of the largest public sector pension plan administrators in Canada. It has played a major role in pension administration in Alberta for more than 40 years.

APA currently administers eight statutory pension plans under the direction of five pension boards and the provincial government. Formerly a division of Alberta Treasury, APA became a provincial corporation on November 1, 1995. It is now guided by a Board of Directors, which includes representatives from the private sector, the pension boards and government.

APA has embarked on a new course in its transition from a government division to a private corporation. Throughout this transition, APA will foster an atmosphere of growth, teamwork and, above all, excellence in customer service and service delivery.

APA Accomplishments – 1995

Business Plan

In 1995, APA developed a three-year business plan, which reflects a philosophy of cost-effective customer service. The plan outlines performance standards on a rolling three-year schedule to evaluate and improve our services wherever possible. APA monitors its performance standards on a continual basis.

Participation

At December 31, 1995, there were 55 employers participating in the Public Service Pension Plan. Membership was made up as follows:

	1995	1994
Active Members	36,594	39,779
Inactive Members	8,136	7,402
Pensioners	13,921	13,356
Total	**58,651**	**60,537**

Contributions

Contribution rates in effect at December 31, 1995 and 1994 were as follows:

	1995 %	1994 %
Current Service (post-1991)		
Employer and Employee		
Up to YMPE*	9.35	9.35
Above YMPE	13.10	13.10
Unfunded Liability (pre-1992)		
Employer and Employee	0.60	0.60
Province of Alberta	1.00	1.00
Total		
Up to YMPE	**10.95**	**10.95**
Above YMPE	**14.70**	**14.70**

* Yearly maximum pensionable earnings under the Canada Pension Plan.

Terminations

During 1995, termination benefits of $33,511,000 was paid. Of this amount, $3,682,000 was paid under the terms of various reciprocal agreements. In addition, $29,829,000 was paid to members directly or transferred to registered retirement savings plans (RRSPs) and locked-in retirement accounts (LIRAs). These payments were based on contributions plus interest or the commuted value of service, depending on whether service was pre-1992 or post-1991.

Pensions

Pension benefits paid totalled $120,919,000 in 1995. During the year a total of 886 new pensions were granted in the categories shown below:

	Number of Pensions	%
Normal retirements	138	15.6
Early retirements	698	78.8
Disability retirements	14	1.6
Death-in-service (spousal) retirements	36	4.0
Total	**886**	**100.0**

Of these pensions, 328 were coordinated with the Canada Pension Plan and/or Old Age Security.

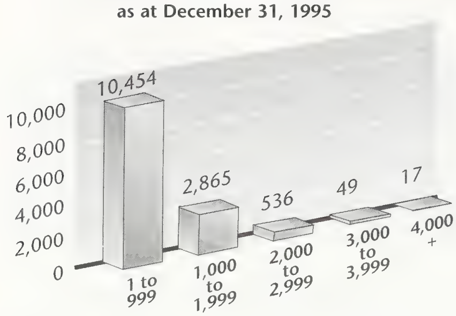
Options chosen in respect of the new retirements were as follows:

	Number of Options	%
Single Life	149	16.8
Joint Life	536	60.5
Guaranteed Term	201	22.7
Total	**886**	**100.0**

As at December 31, 1995, there were a total of 13,921 individual pensions being paid. The schedule below categorizes these pensions in terms of the monthly dollar amount being paid:

Dollar Value Per Month	Member Pensions	Spousal Pensions	Total
1 to 999	9,614	840	10,454
1,000 to 1,999	2,743	122	2,865
2,000 to 2,999	531	5	536
3,000 to 3,999	48	1	49
4,000 and over	16	1	17
Total	**12,952**	**969**	**13,921**

Number of Pensions
as at December 31, 1995



Effective January 1, 1995, a cost-of-living adjustment of 1.32% was granted to those pensioners who had been in receipt of a pension for one year or more with a proportionately smaller increase to those retiring during calendar year 1994. The adjustment was equal to 60% of the increase in the Alberta Consumer Price Index.

Business Process Re-engineering Study

APA focused much of its attention in 1995 on finding new ways to improve service and communication to PSPP members. As a key component in the delivery of improved service, APA completed the Business Process Re-engineering (BPR) Study. The study, the first part of a larger Business Process Re-engineering Project, identified the processes by which large volumes of complex, technical information are exchanged between APA, employers and members and how improvements to the process could be implemented through the redesign of APA's computer system. The study concluded that a new computer system, scheduled to be fully operational in 1998, will reduce administrative costs and provide improved information services to members and employers.

Quantitative Service Measurement Survey

APA participated in a nationwide survey of public sector pension administrators known as the Quantitative Service Measurement (QSM) Survey.

This survey measures and compares the cost and response times to deliver administrative services and compares the information with that of the other participants.

By participating in QSM, APA has been able to establish comparative performance benchmarks for the services it delivers.

The results of the most recent QSM survey show APA's costs as the least expensive for a pension administrator of its size.

Employer Satisfaction Survey

APA developed and distributed an Employer Satisfaction Survey. Results showed that, although employers were generally satisfied with APA's service, they wanted more informative member annual statements, faster service delivery and improved access to member files. APA is responding to these requests through the initiatives identified in its three-year business plan.

Challenges for 1996

To meet the needs of PSPP members and employers, and to meet the goals set in its Business Plan, APA developed a Strategic Plan for 1996.

The plan has identified many of the challenges and opportunities that lie ahead for APA.

- Program areas will be restructured to streamline APA's administrative services and product delivery
- The first phase of BPR will be implemented in 1996, which includes finalizing the redesign of APA's business processes and beginning the construction of the new computer system
- APA Communications will assess the communication needs of the Board, its employers, members and pensioners and examine new communication tools and delivery methods to meet those needs

APA will continue to provide cost-effective, high quality administrative services to employers, members, pensioners and the Public Service Pension Board.

Robert Kallir
President and Chief Executive Officer
Alberta Pensions Administration Corporation

The most recent valuation of the Public Service Pension Plan was conducted as at December 31, 1995 for the purpose of providing the Public Service Pension Board with information necessary for reporting of pension obligations in the financial statements of the Government of Alberta and participating employers.

This actuarial valuation of the Plan was conducted using membership data and financial information supplied by Alberta Pensions Administration. Various tests were performed on the data to ensure validity and reasonableness of results as well as to perform a reconciliation of results since the previous valuation as at December 31, 1993. In our opinion, the data is sufficient and reliable for the purposes of the actuarial valuation.

The actuarial cost method utilized in the valuation was the Projected Unit Credit Actuarial Cost Method. The asset valuation method adopted was based on the market value of assets with a smoothing adjustment intended to smooth out market volatility at the valuation date. Under this method, unrealized capital gains and losses are recognized over a three-year period starting with the year they arise.

The market values and unrealized capital gains and losses were provided by Alberta Pensions Administration. We have relied on this information in determining the actuarial value of assets at the valuation date.

In our opinion, the methods employed conform to the requirements of the Canadian Institute of Chartered Accountants Public Sector Accounting Recommendations regarding the financial reporting of Employee Pension Obligations (CICA PS3250).

The following table briefly summarizes the assumptions employed in the actuarial valuation:

Description	As at December 31, 1995
Investment Return	7.50%
Price Inflation	
1996	1.75%
1997	2.00%
1998	2.50%
1999	3.25%
Thereafter	3.50%
Salary Escalation	Inflation plus 0.5% plus Merit and Promotion Scale
YMPE Escalation	Inflation plus 0.5%
Increase in Revenue Canada Earnings Limits	4.0% with first increase in calendar year 2005
Merit and Promotion (sample rates)	
Age 20	3.2%
Age 30	2.6%
Age 40	1.1%
Age 50	0%
Retirement Rates	
Age 55	9.6%
Age 56	4.0%
Age 57	4.5%
Age 58	5.3%
Age 59	5.7%
Age 60	10.3%
Age 61	8.6%
Age 62	7.9%
Age 63	9.5%
Age 64	8.9%
Age 65+	100.0%
Mortality	1983 Basic GAM83, projected 25 years for actives projected 10 years for inactives

Description	As at December 31, 1995	
Termination Rates (sample rates)	Male	Female
Age 20	5.9%	11.9%
Age 30	4.8%	10.0%
Age 40	2.6%	5.2%
Age 50	1.7%	4.0%
	+ rates for selected period	
Percent Electing Deferred Pension	50.0%	
Disability Incidence	None	
Proportion Married at Retirement or Death Before Retirement	90.0%	
Spousal Age Difference	Male 4 years older	
Cost-of-Living Increases	60% of Price Inflation	
Expenses	0.25% of Normal Cost	
Actuarial Cost Method	Projected Unit Credit	
Population Growth for Calculation of Present Value of Additional Contributions	None	
Asset Valuation Method	Market Related Value of Assets, with unrealized capital gains and losses recognized over three years, plus the present value of prior service payments owing	

The assumptions are the Board's best estimate assumptions. In our opinion, these assumptions are, in aggregate, reasonable for the purpose of the valuation. Nonetheless, emerging experience may differ from the assumptions and the resulting gains or losses will be revealed in future valuations.

The results of the actuarial valuation are summarized below:

	Pre-1992 ($ millions)	Post-1991 ($ millions)	Total ($ millions)
Actuarial Value of Assets	$1,887.6	$ 620.9	$2,508.5
Actuarial Liabilities	2,227.6	512.0	2,739.6
Surplus (Unfunded Liability)	$ (340.0)	$ 108.9	$ (231.1)

Note: The actuarial value of assets and liabilities includes an estimate of $8.1 million, which represents the present value of future prior service contributions.

In our opinion:

- the data upon which this valuation is based are sufficient and reliable;
- the assumptions are, in aggregate, reasonable for the purpose of the valuation; and
- the methods employed conform to the requirements of the Canadian Institute of Chartered Accountants Public Sector Accounting Recommendations regarding the financial reporting of Employee Pension Obligations (CICA PS3250).

This certificate is an extract from the formal actuarial report which was prepared in accordance with accepted actuarial practice. The valuation has been conducted and the opinions contained herein are given in accordance with accepted actuarial practice.

Respectfully submitted,

Donald G. Tettmar, F.S.A., F.C.I.A.

Malcolm Kern, F.S.A., F.C.I.A.

To the Public Service Pension Board and the Provincial Treasurer

I have audited the statement of net assets available for benefits and accrued pension benefits of the Public Service Pension Plan as at December 31, 1995 and the statement of changes in net assets available for benefits for the year then ended, and the statements of changes in accrued pension benefits and changes in deficiency for the two years then ended. These financial statements are the responsibility of the Plan's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Plan as at December 31, 1995 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Peter Valentine
FCA
Auditor General

Edmonton, Alberta
August 23, 1996

Statement of Net Assets Available for Benefits and Accrued Pension Benefits

As at December 31, 1995
($ thousands)

	1995	1994
Net Assets Available for Benefits		
Assets		
Investments (Note 4) (Schedule A)	$ 2,565,137	$ 2,183,469
Accounts receivable (Note 5)	32,357	41,745
	2,597,494	2,225,214
Liabilities		
Accounts payable	18,115	12,791
Net assets available for benefits	2,579,379	2,212,423
Actuarial asset value adjustment (Note 6)	(79,000)	56,965
Actuarial value of net assets available for benefits	2,500,379	2,269,388
Accrued Pension Benefits		
Accrued pension benefits (Note 7)	2,731,500	2,768,000
Deficiency of actuarial value of net assets over accrued pension benefits (Note 7)	$ 231,121	$ 498,612

See accompanying notes and schedule.

Statement of Changes in Net Assets Available for Benefits

For the year ended December 31, 1995
($ thousands)

	1995	1994
Increase in assets		
Investment income (loss) (Note 8)	$ 378,523	$ (13,310)
Interest on Province of Alberta receivable	467	627
Contributions		
Current and past service		
Employers	60,764	66,564
Employees	63,177	70,321
Pre-1992 unfunded liability		
Employers	3,799	3,545
Employees	3,799	3,545
Province of Alberta	12,663	11,818
Transfers from other plans	1,127	1,313
	145,329	157,106
Total increase in assets	524,319	144,423
Decrease in assets		
Benefits	120,919	115,472
Refunds to members	29,829	32,601
Transfers to other plans	3,682	7,878
Administration expenses (Note 9)	2,933	3,050
Total decrease in assets	157,363	159,001
Change in net assets for the year	366,956	(14,578)
Net assets available for benefits at beginning of year	2,212,423	2,227,001
Net assets available for benefits at end of year	$ 2,579,379	$ 2,212,423

See accompanying notes and schedule.

Statement of Changes in Accrued Pension Benefits

For the two years ended December 31, 1995
($ thousands)

	Pre-1992	Post-1991	Total
Increase in accrued pension benefits			
Interest accrued on benefits	$ 434,300	$ 48,700	$ 483,000
Benefits earned	–	260,900	260,900
Increase in accrued pension benefits	434,300	309,600	743,900
Decrease in accrued pension benefits			
Benefits paid	271,900	36,100	308,000
Experience gains	248,600	31,500	280,100
Changes in actuarial assumptions (Note 7)	2,800	(10,500)	(7,700)
Decrease in accrued pension benefits	523,300	57,100	580,400
Net increase (decrease) in accrued pension benefits	(89,000)	252,500	163,500
Accrued pension benefits, beginning of period	2,309,000	259,000	2,568,000
Accrued pension benefits, end of period (Note 7)	**$ 2,220,000**	**$ 511,500**	**$ 2,731,500**

See accompanying notes and schedule.

Statement of Changes in Deficiency

For the two years ended December 31, 1995
($ thousands)

	Pre-1992	Post-1991	Total
Deficiency (surplus), beginning of period	$ 578,798	$ (57,783)	$ 521,015
Net increase in net assets available for benefits	(49,774)	(302,604)	(352,378)
Net decrease in actuarial asset value adjustments	(99,999)	(1,017)	(101,016)
Net increase (decrease) in accrued pension benefits	(89,000)	252,500	163,500
Deficiency (surplus), end of period	$ 340,025	$ (108,904)	$ 231,121

See accompanying notes and schedule.

Note 1
Summary Description of the Plan

December 31, 1995

The following description of the Public Service Pension Plan is a summary only. For a complete description of the Plan, reference should be made to the *Public Sector Pension Plans Act*, Chapter P-30.7, Statutes of Alberta 1993, and Alberta Regulation 368/93.

(a) General

The Public Service Pension Plan is a contributory defined benefit pension plan for eligible employees of the Province of Alberta, approved provincial agencies and public bodies, including universities and local boards of health units established under the *Public Health Act* and the Special Areas Board.

(b) Funding

Current service costs are funded equally by employers and employees at rates which are expected to provide for all benefits payable under the Plan. The rates in effect are 4.675 percent of pensionable salary up to the Canada Pension Plan's Year's Maximum Pensionable Earnings (YMPE) and 6.55 percent for the excess. The rates are to be reviewed at least once every three years by the Board based on recommendations of the Plan's actuary.

The unfunded liability for service prior to December 31, 1991 as determined by actuarial valuation is being financed by additional contributions in the ratio of 62.5 percent by the Province of Alberta and 18.75 percent each by employers and employees. The rates are set on the basis that the additional contributions will eliminate the unfunded liability on or before December 31, 2036. The rates in effect, based on pensionable salary, are 1.0 percent for the Province of Alberta and 0.3 percent each for employers and employees.

(c) Retirement Benefits

The Plan provides for a pension of 1.4 percent of the highest five consecutive years' average salary up to the YMPE and two percent of the excess for each year of pensionable service. The maximum pensionable service allowable under the Plan is 35 years. Pensions are payable to members who retire with at least five years of service and either have attained age 65 or have attained age 55 and the sum of their age and years of service equals 85. Reduced pensions are payable to members age 55 retiring early with a minimum of five years' service.

(d) Disability Benefits

Pensions are payable to members who become totally disabled and retire early with at least five years of service. Reduced pensions are payable to members who become partially disabled and retire early with at least five years of service.

(e) Death Benefits

Death benefits are payable on the death of a member. If the member has at least five years' service, a surviving spouse may choose to receive a survivor pension. For a beneficiary other than a spouse, or where service is less than five years, a lump sum payment must be chosen.

Note 1
Summary Description of the Plan (continued)

(f) Termination Benefits

Members who terminate with at least five years of service, and are not immediately entitled to a pension, may receive a refund of contributions and interest on service prior to 1992 and the commuted value for service after 1991, subject to lock-in provisions. Alternatively, they may elect to receive a deferred pension. Members who terminate with less than five years of service receive a refund of their contributions and interest.

(g) Prior Service and Transfers

All prior service purchases are to be made on a basis that is cost neutral to the Plan.

All reciprocal agreements were renegotiated to provide that transferred-in service be on an actuarial reserve basis and transfers-out receive the greater of the termination benefits or commuted value for all service.

(h) Cost-of-Living Adjustments

Pensions payable are increased each year by an amount equal to at least 60 percent of the increase in the Alberta Consumer Price Index.

(i) Income Taxes

The Plan is a registered pension plan as defined in the *Income Tax Act* and is not subject to income taxes. The Plan's registration number is 0208769.

Note 2
Summary of Significant Accounting Policies and Reporting Practices

(a) Basis of Presentation

These financial statements are prepared on the going concern basis in accordance with generally accepted accounting principles. The statements provide information about the net assets available in the Plan to meet future benefit payments, and are prepared to assist Plan members and others in reviewing the activities of the Plan for the year. They do not reflect the funding requirements of the Plan or the benefit security of individual participants.

The majority of Plan investments are held in pooled investment funds established and administered by the Provincial Treasurer. Pooled investment funds have a market based unit value that is used to allocate income to participants and to value purchases and sales of pool units. The net investment income derived from pooled funds during 1995 was $290.9 million [1994: a loss of $33.8 million] and the net assets at December 31, 1995 were $1.7 billion [1994: $1.6 billion].

Note 2
Summary of Significant Accounting Policies and Reporting Practices (continued)

(a) Basis of Presentation (continued)

Included in these financial statements are the accounts of the Plan and the Plan's proportionate share of the assets, liabilities and net income of the pooled funds shown below with their respective percentage ownership at December 31, 1995:

	% Ownership 1995	1994
Canadian Dollar Public Debt Pool	18.5	20.0
External Managers Fund	16.2	17.5
Global Structured Equity Pooled Fund	23.2	0.0
Private Debt Pool	19.2	18.6
Private Equity Pool	0.0	17.0
Private Mortgage Pool	17.1	17.0
Private Real Estate Pool	19.1	19.0
United States Pooled Equities Fund	22.8	20.5

(b) Valuation of Investments

Investments are stated at fair value. The methods used to determine fair value are explained in the following paragraphs.

Short-term securities, public fixed interest bonds, foreign equities and Canadian equities are valued at the year-end closing sale price, or the average of the latest bid and ask prices quoted by an independent securities valuation company.

Private fixed interest bonds and mortgages are valued based on the net present value of future cash flows. These cash flows are discounted using Government of Canada bond rates adjusted for a risk premium estimated by management.

Real estate investments are reported at their most recent appraised value, net of any liabilities against the real property. Real estate properties are appraised at least triennially by qualified external real estate appraisers.

Purchases and sales of investments are recorded on the dates traded.

(c) Actuarial Value of Net Assets Available for Benefits

To moderate the effects of market volatility on investment value, annual net unrealized gains and losses are amortized equally over three years.

(d) Income Recognition

Dividends are accrued on the ex-dividend date. Income from other investments is accrued as earned. Gains or losses on investments are recognized concurrently with changes in fair value.

Note 2
Summary of Significant Accounting Policies and Reporting Practices (continued)

(e) Foreign Exchange

Foreign currency transactions are translated into Canadian dollars using average rates of exchange, except for hedged foreign currency transactions which are translated at rates of exchange established by the terms of the forward exchange contracts. At the year-end, the fair value of investments and any other assets and liabilities denominated in a foreign currency are translated at the year-end exchange rate. Exchange differences are included in the determination of investment income.

(f) Derivative Financial Investments

Income and expense on index swaps and interest rate swaps are accrued as earned and included in investment income. Gains and losses on forward foreign exchange contracts are recognized concurrently with changes in fair value.

Note 3
Derivative Financial Instruments

(a) Index Swaps and Interest Rate Swaps

Pooled funds use index swaps and interest rate swaps to enhance the return on investments. Index swaps and interest rate swaps are contractual agreements involving the exchange of a series of interest payments based upon a notional principal amount or an index.

An index swap results in the exchange of interest payments based on a floating rate, with payments based on a bond or equity index. An interest rate swap results in the exchange of interest payments based on a fixed rate with payments based on a floating rate, or vice versa.

A swap agreement based upon a notional amount involves no exchange of the underlying principal. The notional amount or the index serves as the basis for determining the exchange of interest payments. Notional amounts of swaps are not recorded on the statement of net assets available for benefits and accrued pension benefits.

(b) Foreign Currency Risk Management

The External Managers Fund uses forward foreign exchange contracts to manage currency exposure in connection with securities purchased in foreign currency. Foreign exchange contracts are contractual agreements to exchange specified currencies at an agreed upon exchange rate and on an agreed settlement date in the future. Fair values of contract receivables and payables have been offset and the net amount is included in accrued investment income.

Note 3
Derivative Financial Instruments (continued)

(c) Risk Management

Associated with swaps and forward foreign exchange contracts are market risks and credit risks that could expose the Plan to potential losses.

Market risk relates to the possibility that the instruments may change in value due to future fluctuations in market prices. Credit risk relates to the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract.

The risks are reduced as all swaps and forward foreign exchange contracts are supported by underlying securities. Credit risk is further minimized as management deals only with the most credit worthy counterparties. Credit exposure on the derivative portfolio is minimal.

The following is a summary of the Plan's proportionate share of the notional principal or contractual amounts of derivative financial instruments held or issued by pooled funds at December 31.

	1995	1994
	($ thousands)	
Index swaps		
Bonds	$ 69,376	$ –
Foreign equities	79,209	–
Interest rate swaps		
Fixed and floating rates	44,434	–
Forward foreign exchange contracts		
Receivables	56,286	80,681
Payables	(56,286)	(80,681)
	$ 193,019	$ –

Note 4
Investments (Schedule A)

Investments are summarized as follows:

	1995 ($ thousands)	%	1994 ($ thousands)	%
Cash and short-term securities	$ 319,358	12.5	$ 223,676	10.2
Bonds	976,077	38.1	909,181	41.7
Mortgages	63,983	2.5	64,002	2.9
Canadian equities	683,043	26.6	500,058	22.9
Foreign equities	467,631	18.2	431,271	19.8
Real estate	55,045	2.1	55,281	2.5
	$ 2,565,137	100.0	$ 2,183,469	100.0

Real estate is held through intermediate companies which have issued common shares and participating debentures secured by a charge on real estate. The rental income less expenses and other adjustments is distributed to the Plan through the Private Real Estate Pool.

Intermediate companies which are owned 20 percent or more by the Private Real Estate Pool are as follows:

	% Ownership 1995	1994
ARCA Investments Inc.	100.0	100.0
ORION Properties Ltd.	100.0	100.0
RT 10th Pension Properties Ltd.	100.0	100.0
RT 7th Pension Properties Ltd.	71.4	71.4
RT Pension Properties Ltd.	67.7	67.7
RT 8th Pension Properties Ltd.	33.3	33.3
629851 Ontario Inc.	27.9	27.9

Note 5
Accounts Receivable

	1995	1994
	($ thousands)	
Receivable from sale of investments and accrued investment income	$ 28,862	$ 22,043
Contributions receivable		
Employers	1,211	5,390
Employees	1,139	5,581
Province of Alberta	1,145	1,256
Receivable from Province of Alberta	–	7,475
	$ 32,357	$ 41,745

Note 6
Change in Actuarial Value of Net Assets Available for Benefits

The method of determining the actuarial value of net assets available for benefits has been changed from that used in 1994 on the recommendation of the Plan's actuary. By amortizing unrealized gains and losses over a three-year period, the actuarial value of net assets will bear a closer relationship to market value than under the previous method.

The actuarial asset value adjustment for 1994 has been restated to reflect this change in method. The change in method had the effect of increasing the actuarial value of net assets available for benefits by $172,764,000 in 1995 [1994: $119,831,000] and reducing the excess of actuarial value of accrued benefits by corresponding amounts. If the change had not been made, the excess of actuarial value of accrued pension benefits over net assets would have been $403,885,000 in 1995 [1994: $618,443,000].

Note 7
Accrued Pension Benefits

An actuarial valuation of the Plan was carried out as at December 31, 1995 by William M. Mercer Limited. The December 31, 1995 valuation resulted in an actuarial deficiency of $231 million as disclosed in the statement of accrued pension benefits and net assets available for benefits.

The valuation as at December 31, 1995 was determined using the projected benefit method, based on service. The assumptions used in the valuation were developed as the best estimate of expected short-term and long-term market conditions and other future events. This estimate was, after consultation with the Plan's actuary, adopted by the Public Service Pension Board. The Plan's future experience will inevitably differ, perhaps significantly, from these assumptions. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations and will affect the financial position of the Plan.

The major assumptions used were:

	December 31,	
	1995 Valuation %	1993 Valuation %
Investment return	7.5	9
Inflation rate		
Until 1999	1.75 - 3.25	3.2 - 5
Thereafter	3.5	5
Salary escalation rate		
Until 1999	2.25 - 3.75	4.2 - 6
Thereafter	4	6
Pension cost-of-living increase as a percent of Alberta Consumer Price Index	60	60

Note 7
Accrued Pension Benefits (continued)

In accordance with the requirements of the *Public Sector Pension Plans Act*, a separate accounting is required of the pension liability with respect to service that was recognized as pensionable as at December 31, 1991. This information is provided in the statement of changes in accrued pension benefits which shows the principal components of the change in the actuarial value of accrued pension benefits.

The following table summarizes the actuarial value of net assets, accrued benefits, and the resulting actuarial deficiency at December 31, 1995.

	Pre-1992	Post-1991 ($ thousands)	Total
Market value of net assets	$ 1,935,775	$ 643,604	$ 2,579,379
Actuarial asset value adjustment	(55,800)	(23,200)	(79,000)
Actuarial value of net assets	1,879,975	620,404	2,500,379
Accrued pension benefits	2,220,000	511,500	2,731,500
Actuarial deficiency (surplus)	**$ 340,025**	**$ (108,904)**	**$ 231,121**

The actuarial surplus related to pensionable service performed after 1992 of $108,904,000 is being held as a reserve for future benefit enhancement.

Note 8
Investment Income

	1995			1994
	Income	Change in Fair Value	Total	Total
	($ thousands)			
Cash and short-term securities	$ 12,474	$ 7,233	$ 19,707	$ 5,545
Bonds	73,761	110,667	184,428	(35,468)
Mortgages	6,524	4,806	11,330	(1,433)
Canadian equities	14,798	62,464	77,262	3,855
Foreign equities	25,351	49,547	74,898	12,912
Real estate	3,257	(490)	2,767	1,279
Swaps	8,131	–	8,131	–
	$ 144,296	**$ 234,227**	**$ 378,523**	**$ (13,310)**

Income is comprised of dividends, interest, rental income and other non-capital returns from assets.

Of the total net investment income, $5,996,000 [1994: $7,625,000] of income and $4,746,000 [1994: a loss of $10,123,000] of the change in fair value is derived from a marketable investment issued by the Province of Alberta.

Note 9
Administration Expenses

	1995	1994
	($ thousands)	
General administration costs	$ 2,342	$ 2,597
Board costs	39	13
Investment management costs	403	315
Actuarial fees	42	60
Other professional fees	107	65
	$ 2,933	$ 3,050

General administration costs and Board costs were charged on a cost recovery basis directly by Alberta Treasury until October 31, 1995 and by Alberta Pensions Administration Corporation for the remainder of the year.

Note 9
Administration Expenses (continued)

Investment management costs are those charged on a cost recovery basis, directly by Alberta Treasury, and do not include custodial and external management fees which have been deducted in arriving at investment income.

In 1995, total administration costs of $2,933,000 amounted to $49 per member [1994: $49 per member].

Note 10
Budget Information

The accrued pension benefits are based on the Public Service Pension Board's best estimates of future events after consultation with the Plan's actuary. Differences between actual results and management's expectations are disclosed as experience gains in the statement of changes in accrued pension benefits. Accordingly, a budget is not included in these financial statements.

Note 11
Comparative Figures

Comparative figures have been restated to be consistent with the 1995 presentation.

Note 12
Responsibility for Financial Statements

These financial statements were approved by the Public Service Pension Board.

Schedule A:
Schedule of Investments

December 31, 1995
($ thousands)

	1995	1994
Cash and Short-Term Securities		
Cash and cash equivalents	$ 166,494	$ 100,864
Deposits in U.S. dollar money market funds	13,428	4,537
Short-term securities		
Government of Canada, direct	6,231	32,009
Provincial:		
Alberta, direct and guaranteed	–	2,458
Other, direct	36,671	22,874
Municipal	2,767	–
Other	93,767	60,934
Total cash and short-term securities	**319,358**	**223,676**
Bonds		
Bonds, bond coupons and residuals		
Government of Canada, direct and guaranteed	556,445	521,252
Provincial:		
Alberta, direct and guaranteed	55,704	65,351
Other, direct and guaranteed	137,899	127,757
Municipal	14,537	10,383
Foreign governments, guaranteed	1,627	1,683
Corporate	131,585	81,587
Corporate, convertible		
Canadian	–	76
Foreign	3,190	7,069
Mortgage-backed securities		
Government of Canada, guaranteed	75,090	94,023
Total bonds	**976,077**	**909,181**
Mortgages	**63,983**	**64,002**
Canadian Equities		
Listed	682,941	485,999
Unlisted	102	14,059
Total Canadian equities	**683,043**	**500,058**
Foreign Equities		
United States, listed	190,694	157,970
Global, listed	276,937	273,301
Total Foreign equities	**467,631**	**431,271**
Real Estate	**55,045**	**55,281**
	$ 2,565,137	**$ 2,183,469**

As at December 31, 1995

Agriculture Financial Services Corporation
Alberta Agricultural Development Corporation
Alberta Cancer Board
Alberta East Central Health Unit
Alberta Gaming and Liquor Commission
Alberta Liquor Control Board
Alberta Opportunity Company
Alberta Petroleum Marketing Commission
Alberta Racing Commission
Alberta Special Waste Management Corporation
Alberta Treasury Branches
Alberta Union of Provincial Employees
Alberta West Central Health Unit
Aspen Health Services
Athabasca Health Unit
Athabasca University
Big Country Health Unit
Calgary Health Services
Capital Care Group Inc.
Capital Health Authority
Caritas Health Group
Chinook Regional Health Centre
Drumheller Health Unit
East Central Regional Health Authority No. 7
Energy Resources Conservation Board
Foothills Health Unit
Fort McMurray and District Health Unit
Glenrose Rehabilitation Hospital
Government of Alberta
High Level-Fort Vermillion Health Unit
Jasper National Park Health Unit
Keeweetinok Lakes Regional Health Authority No. 15
Lakeland Public Health - Lac La Biche
Leduc-Strathcona Health Unit
Minburn-Vermilion Health Unit
Mistahia Regional Health Unit
Mount View Health Unit
North Eastern Alberta Health Unit
Palliser Health Authority
Peace River Health Unit No. 21
Public Health Services
Red Deer Regional Health Unit
Red Deer Regional Hospital
Royal Alexandra Hospital
Special Areas Board
Stony Plain-Lac Ste. Anne Health Unit
Sturgeon Health Authority
The Banff Centre
The University of Calgary
The University of Lethbridge
University of Alberta
University of Alberta Hospitals
Vegreville Health Unit
Wetoka Health Unit
Workers' Compensation Board

benchmarks

A standard against which others are measured. For the purposes of this report, benchmarks are established income figures (listed in percentages) used to measure the health of the Fund's investment returns.

book value

The value of the portfolio based on the cost of acquiring the securities.

derivatives

A financial obligation that derives its value from the value of one or more other financial instruments. Examples include future contracts, swaps and options.

emerging markets

The stock markets of countries that are developing or have recently established public markets.

external manager

A firm that has been contracted to provide investment management services.

fixed income

Investments with a fixed rate of return.

indices

Frank Russell Commercial Property Index

Measures the total return attributable to Canadian commercial real estate. Maintained by Frank Russell, the index is compiled and reported on a quarterly basis.

Morgan Stanley World Index

Measures the total return attributable to the largest capitalized companies on the world's major stock exchanges. Maintained by Morgan Stanley, the index is compiled and reported monthly in local and common currencies.

ScotiaMcLeod Bond Universe Index

Measures the total return attributable to bonds. Maintained by ScotiaMcLeod and includes representative bond issues by issuer (Federal, Provincial, Municipal and Corporate), by quality (AAA, AA, A and BBB) and term (short-, mid- and long-).

ScotiaMcLeod 91-Day T-Bill Index

Measures the total return attributable to 91-Day T-Bills. Maintained by ScotiaMcLeod.

TSE 300 Index

Measures the total return attributable to the 300 largest capitalized companies traded on the Toronto Stock Exchange. Maintained by the Toronto Stock Exchange, the index is compiled and reported on a daily basis. The index's composition is adjusted annually.

market value

The value of the portfolio as if it were sold at a specific time based on the most recently quoted market price.

net contributions

Employee and employer contributions less pension payouts and transfers.

real rate of return

The return achieved by an asset after adjustments for inflation

real return bonds

A debt security with a return that is linked to inflation to generate a specified real rate of return.

SEI (Canada)

SEI Canada Financial Services Limited provides independent reports on a fund's performance.

time-weighted return

Considers the period-by-period return without regard to the cash contributions to and withdrawals from the Fund during the period. It is used to eliminate the effect the timing of cash flow has on a fund's return.

unfunded liability

An unfunded liability exists when the actuarial valuation determines the Fund's accrued benefit payments exceed the net assets available for the payment of benefits.

Board Members — 1996

Employer Nominees

Tim Wiles, Chair

Al Kalke

Don Windsor

Employee Nominees

Len Pederson, Vice-Chair

Gladys L. Breckenridge

Debbie Horbach

Board Members may be contacted as follows:

Public Service Pension Board

3rd Floor, Park Plaza
10611 - 98 Avenue
Edmonton, Alberta
T5K 2P7

Phone: (403) 427-2782
Fax: (403) 427-1621

In Alberta, call toll-free 1-800-358-0734

Board Secretary

Len Morin

Alberta Pensions Administration Corporation

Administrator

Alberta Pensions Administration Corporation

Fund Management

Investment Management Division

Alberta Treasury

Actuary

William M. Mercer Limited

Auditor

Auditor General of Alberta

• • • ► Reader Survey – 1995 PSPP Annual Report

The Board of the Public Service Pension Plan is pleased to provide a Reader Survey with the 1995 Annual Report.
Your opinion is important to us. By completing this survey you will help the Board continue to improve communications with members. Please do not feel limited to the questions provided below. All comments are encouraged.

1. Please rate the 1995 Annual Report on the following basis:

	Poor	Fair	Good	Excellent
a. Readability	①	②	③	④
b. Appearance	①	②	③	④
c. Charts and Tables	①	②	③	④
c. Report Size	①	②	③	④

2. Please rate the information provided in the Report:

	Poor	Fair	Good	Excellent
a. Message from the Board	①	②	③	④
b. Investment Highlights	①	②	③	④
c. Administration Highlights	①	②	③	④
d. Financial Statements	①	②	③	④
e. Investment Glossary	①	②	③	④

3. Which statement best describes the way you reviewed the Report:

a. Read from cover to cover ❍
b. Concentrated on the financial information ❍
c. Concentrated on the non-financial information ❍

4. To help us identify our readership, please indicate your connection to the Public Service Pension Plan:

Contributing Member ❍
Pensioner ❍
Other (specify) ❍

5. Do you have any further comments?

____
____
____
____
____
____
____
____
____
____

► **Optional to complete**

Name ______________________________

Organization ______________________________

Phone ______________________________

► **Return to:** Public Service Pension Board
Manager Communications
3rd Floor, 10611 – 98 Avenue
Edmonton, AB T5K 2P7
or
Fax to: (403) 427-1621